

eDumbe Municipality
Annual Financial Statements for the year ended 30 June 2014
Notes to the Annual Financial Statements

Figures in Rands	2014	Restated 2013
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2 Inventories

Consumable stores	412 399	388 710
	412 399	388 710

Inventories consist of goods which are held for own use include papers, blocks, pipe and electricity material.

The valuation roll include housing stock (RDP houses) for an amount of **R3 049 000** which are still to be transferred to the community.

3 Receivables from exchange transactions

3.1 Net Balance (Electricity and Refuse removal)

Receivables	9 889 612	9 638 916
Electricity	2 453 021	5 031 552
Refuse removal	7 436 592	4 607 363
Less: Non current debtors	(137 648)	(137 008)
Total	9 751 964	9 501 908

Consumer debtors

Electricity	5 337 995	9 018 643
Refuse Removal	53 347 815	49 113 183
Total	58 685 811	58 131 826

Less: Provision for bad debts

Electricity	(2 884 975)	(3 987 091)
Refuse Removal	(45 911 223)	(44 505 820)
Total	(48 796 198)	(48 492 911)

Less: Non Current debtors

	(137 648)	(137 008)
Total	(137 648)	(137 008)

Net Receivables	9 751 964	9 501 908
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3.2 Age analysis

Ageing: Refuse Removal

Current (0 – 30 days)		719 750
31 - 60 Days	175 015	442 326
61 - 90 Days	449 554	437 748
91 - 120 Days	444 578	425 741
Greater than 120 days.	52 278 669	47 087 618
Total	53 347 815	49 113 183

Ageing: Electricity

Current (0 – 30 days)		2 067 417
31 - 60 Days	583 756	771 556
61 - 90 Days	560 971	324 714
91 - 120 Days	581 180	166 998
Greater than 120 days.	3 609 089	5 687 957
Total	5 337 995	9 018 643

Total Ageing	58 685 811	58 131 826
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3.3 Receivables from non-exchange and Exchange transactions

Summary of Debtors by Customer Classification

	Residential	Industrial / Commercial	National and Provincial Government
as at 30 June 2014			
31 - 60 Days	845 741	838 963	130 190
61 - 90 Days	786 747	519 129	105 200
91 - 120 Days	757 077	533 577	88 893
+ 365 Days	58 997 829	3 664 586	2 760 421
Sub-total	61 387 395	5 556 255	3 084 704
Less: Provision for doubtful debts	-52 116 332	-4 531 855	-
Less Non-current portion	-137 648	-	-
Total debtors by customer classification	9 133 414	1 024 400	3 084 704

as at 30 June 2013

31 - 60 Days	2 138 508	503 019	598 394
61 - 90 Days	940 501	317 699	270 291
91 - 120 Days	749 185	158 957	106 534
121 - 365 Days	605 878	130 926	78 025
+ 365 Days	53 442 487	3 369 678	2 149 332
Sub-total	57 876 560	4 480 279	3 202 577
Less: Provision for doubtful debts	-50 337 898	-3 500 604	-
Total debtors by customer classification	7 538 662	979 675	3 202 577

3.4 Reconciliation of bad debt impairment provision

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Balance at the beginning of the year	48 492 911	47 647 302
Contributions to provision	303 288	845 609
	48 796 198	48 492 911

3.5 Receivables from exchange past due but not impaired

Based on the past experience the municipality has taken a decision to impair the debts at 90% of the residential outstanding balance and 70% of the commercial debts. As at **30 June 2014, R 9 751 963.85 (June 2013, R 9 501 907.65)** was the total receivables not impaired.

The ageing of these receivables is as follows:

1 month past due	758 771	2 787 167
2 months past due	1 010 525	1 213 882
3 months and above past due	7 982 668	5 500 858
	9 751 964	9 501 908

3.6 Receivables from exchange past due impaired

The amount of the provision was R 48 796 198.20 as of 30 June 2014 and (2013 R 48 492 910.64).

The ageing of these receivables is as follows:

0 to 6 months	1 856 692	4 438 797
Over 6 months	46 939 506	44 054 113
	48 796 198	48 492 911

3.7 Consumer debtors pledged as security

Consumer debtors have not been pledged as security or encumbered or encumbered in any way.

3.8 Credit quality of consumer debtors

Consumers debtors are billed monthly, at latest by the end of each month.

The Council has resolved not to charge interest on outstanding debtor account balances at 30 June 2014.

The Council will at a future date determine the terms and conditions for interest to be charged on overdue accounts and the rate thereof.

The municipality enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications for services that it processes. Deposits are required to be paid for all electrical accounts opened. There are no consumers who repre:

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of consumer debtors was determined after considering the standard terms and conditions of agreement entered into between the municipality and Consum

Credit quality of consumer debtors

Consumers debtors are billed monthly, at latest by the end of each month.

The Council has resolved not to charge interest on outstanding debtor account balances at 30 June 2014. However the Council at a future date with reconsider charging the interest on all outstanding debtors.

The municipality enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications for services that it processes. Deposits are required to be paid for all electrical accounts opened.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of consumer debtors was determined after considering the standard terms and conditions of agreement entered into between the municipality and Consumer Debtors as well as the current payment ratios of the municipality's consumers.

4 Receivables from non-exchange transactions

4.1 Net balance Rates

Traffic fines	3 490 555	6 305 200
	1 515 956	328 811
	5 006 511	6 634 011

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4.2 Ageing: Rates		
Current (0 – 30 days)	625 373	438 759
31 - 60 Days	521 545	438 759
61 - 90 Days	400 551	438 672
91 - 120 Days	353 791	877 431
Greater than 120 days.	9 441 283	6 712 620
Total	11 342 543	8 906 242

4.3 Reconciliation of bad debt impairment provision

Balance at the beginning of the year	2 601 042	5 584 133
Reversal of provision	-	(2 983 091)
Contributions to provision	5 250 947	-
	7 851 988	2 601 042

4.4 Receivables from exchange past due but not impaired

Based on the past experience the municipality has taken a decision to impair the debts at 90% from residential outstanding balance and 70% on commercial debts. As at 30 June 2014, R 3 490 555.82 (June 2013, R 6 305 199.95) was the total amount not impaired

The ageing of these receivables is as follows:

1 month past due	625 373	438 759
2 months past due	521 545	438 759
3 months and above past due	2 343 637	5 427 682
	3 490 555	6 305 200

4.5 Receivables from exchange past due impaired

The amount of the provision was R 7 851 988.31 as of 30 June 2014 and (2013 R 2 601 041.56).

The ageing of these receivables is as follows:

0 to 6 months	2 340 019	1 316 190
Over 6 months	5 511 969	1 284 851
	7 851 988	2 601 042

5 Cash and Cash Equivalents

Cash and cash equivalents consist of:

Call Account - 61328003233	535 830	542 850
Call Account - 62033660376	3 508	3 473
Call Account - 62219848746	2 018	1 998
Investment Account	379 339	1 607 706
Petty Cash	1 226	45
Primary Bank Account	541 674	229 832
Call Account 62421843807	1 145	-
Bank Balances	1 464 739	2 385 903
Bank Overdraft	-	-

The following are the Bank balances at 30 June 2014

Bank Account	Balance as per Bank Statement	Balance as per Bank Account - Cash book	Variance
Call Account - 61328003233	535 830	535 830	-
Call Account - 62033660376	3 508	3 508	-
Call Account - 62219848746	2 018	2 018	-
Investment Account	379 339	379 339	-
Petty Cash	1 226	1 226	-
Primary Bank Account	505 473	541 674	(36 201)
Call Account 62421843807	1 145	1 145	-
Grindrod bank - Account type - Account Number	-	-	-
	1 428 539	1 464 739	(36 201)

The following are the Bank balances at 30 June 2013

Bank Account	Balance as per Bank Statement	Balance as per Bank Account - Cash book	Variance
Call Account - 61328003233	542 850	542 850	-
Call Account - 62033660376	3 473	3 473	-
Call Account - 62219848746	1 998	1 998	-
Investment Account	1 607 706	1 607 706	-
Petty Cash	45	45	-
Primary Bank Account	160 854	229 832	(68 978)
Call Account 62421843807	-	-	-
Bank - Account Type - Account Number	-	-	-
	2 316 926	2 385 903	(68 978)

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6 Property, Plant and Equipment

6.1

	Cost / Valuation	2014 Depreciation and Impairment losses	Carrying Value
Land	22 352 343	-	22 352 343
Buildings	72 311 593	(2 662 594)	69 648 999
Electricity	11 819 348	(394 045)	11 425 302
Roads and Infrastructure	89 481 990	(3 408 552)	86 073 438
Vehicles	661 867	(192 651)	469 215
Other Property, Plant and Equipment	5 284 048	(756 517)	4 527 531
Assets under construction (WIP)	11 888 024	-	11 888 024
Total	213 799 212	(7 414 359)	206 384 853

Reconciliation of property, plant and equipment at 30 June 2014

	Opening balance	Additions	Disposals	Transfers	Impairment	Depreciation	Total
Land	22 352 343	-	-	-	-	-	22 352 343
Buildings	68 717 892	3 593 701	-	-	-	2 662 594	69 648 999
Electricity	9 526 894	2 292 454	-	-	-	394 045	11 425 302
Roads and Infrastructure	72 333 156	17 148 834	-	-	-	3 408 552	86 073 438
Vehicles	948 715	-	-286 848	-	-	192 651	469 215
Other Property, Plant and Equipment	4 947 152	833 042	-496 146	-	19 150	737 368	4 527 531
Assets under construction (WIP)	13 838 499	6 968 252	-	(8 918 728)	-	-	11 888 024
Total	192 664 651	30 836 283	-782 994	(8 918 728)	19 150	7 395 210	206 384 853

	Cost / Valuation	2013 Depreciation and Impairment losses	Carrying Value
Land	22 352 343	-	22 352 343
Buildings	71 807 370	(4 100 652)	67 706 718
Electricity	9 952 941	(426 048)	9 526 894
Roads and Infrastructure	75 505 854	(3 172 698)	72 333 156
Vehicles	1 171 644	(222 929)	948 715
Other Property, Plant and Equipment	6 744 129	(1 796 977)	4 947 152
Assets under construction (WIP)	14 849 674	-	14 849 674
Total	202 383 954	(9 719 303)	192 664 651

Reconciliation of property, plant and equipment at 30 June 2013

	Opening balance	Correction of Errors	Restated Opening Balance	Additions	Transfers	Impairment	Depreciation	Total
Land	22 352 343	-	22 352 343	-	-	-	-	22 352 343
Buildings	71 781 420	-	71 781 420	25 950	-	1 377 267	2 723 386	67 706 718
Electricity	9 313 941	-	9 313 941	639 000	-	127 707	298 341	9 526 894
Roads and Infrastructure	75 505 854	-	75 505 854	-	-	13 537	3 159 160	72 333 156
Vehicles	1 061 140	110 504	1 171 644	-	-	53 763	169 166	948 715
Other Property, Plant and Equipment	2 207 753	244 098	2 451 851	4 292 278	-	1 057 921	739 055	4 947 152
Assets under construction (WIP)	6 525 330	-	6 525 330	8 324 344	-	-	-	14 849 674
Total	188 747 780	354 602	189 102 383	13 281 571	-	2 630 195	7 089 108	192 664 651

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6.2 Heritage Assets

	Historical Buildings	Paintings and Artefacts	Other*	Total
Reconciliation of carrying value				
as at 30 June 2014				
Cost/Revaluation	-	-	147 149	147 149
Accumulated impairment losses	-	-	-	-
	-	-	147 149	147 149
as at 30 June 2013				
Cost/Revaluation	-	-	147 149	147 149
Accumulated impairment losses	-	-	-	-
	-	-	147 149	147 149

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Heritage Assets pledged as security

All municipal heritage assets are not pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7 Intangible Assets

Intangible Assets at 30 June 2014

	Cost / Valuation	Amortisation / Impairment / Movements	Carrying value
Intangible assets	80 410	32 527	47 883

Reconciliation of Intangible Assets at 30 June 2014

	Opening balance	Additions	Amortisation	Total
Intangible assets	206 938	-	159 055	47 883
	206 938	-	159 055	47 883

Intangible Assets at 30 June 2013

	Cost / Valuation	Amortisation / Impairment / Movements	Carrying value
Intangible assets	206 938	126 528	80 410

Reconciliation of Intangible Assets at 30 June 2013

	Reported previously	Correction of Errors	Restated Opening Balance	Amortisation	Total
Intangible assets	173 734	-	173 734	33 204	206 938
	173 734	-	173 734	33 204	206 938

All of the municipality's intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality.

8 Investment Property

Non-current assets

Investments property

	432 000	432 000
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	2014			2013 Restated		
	Cost Valuation	/ Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	432 000	-	432 000	432 000	-	432 000

Reconciliation of investment property - 2014

	Opening balance	Additions	Depreciation	Total
Developed land	432 000	-	-	432 000

Reconciliation of investment property - 2013

	Reported previously	Correction of Errors	Restated Opening Balance	Depreciation	Total
Developed land	432 000	0	432 000	-	432 000

All of the municipality's Investment Properties are held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

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There are no contractual obligations on investment property.

A register of Investment property is available at the municipal offices.

To include all relevant notes after PPE is complete.

9 Non-current receivables

Long term debtors	606 653	400 681
Less: Transfer to current receivables	(469 004)	(263 673)
	137 648	137 008

The amount for long-term debtors relates to arrangements made by debtors for longer than twelve months for electricity accounts.

10 Current Portion of Long-Term Liabilities

10.1 Long-term liabilities

Development Bank of South Africa	1 356 012	1 251 366
Finance cost	119 590	104 646
Less: Current portion transferred to current liabilities	(1 475 601)	(1 356 012)
Non Current Liabilities	-	-

Current liabilities

At amortised cost - DBSA Loan	1 475 601	1 356 012
Miscellaneous Income	312 857	165 359
Travel Card Lodge	1 863	20 386
	1 790 321	1 541 756

This is a loan granted to the municipality by the Development Bank of South Africa at an interest rate of 6.75% per annum, redeemable in six monthly instalments, including interest, in April and October until 2014.

11 Payables from Exchange Transactions

Trade creditors		
Payments received in advance	1 014	(267)
Suspense Account Expense	(77 355)	(77 355)
Accruals	11 591 861	6 377 597
Salary Suspense	-	-
Staff leave accrual	1 377 263	1 103 774
Staff Bonus accrual	697 928	582 538
Other	500	-
Total	13 591 210	7 986 287

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the Municipal Finance Management Act. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Payments received in advance is due to payments received for hall hire and prepaid electricity.

Payments received in advance are consumer debtors' accounts paid in advance.

Staff leave and bonuses accrued to the staff of the municipality on an annual basis, subject to certain conditions.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

12 VAT Receivables

VAT	(37 270)	(153 378)
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Reconciliation

VAT on Accrued Debtors	1 216 847	1 002 132
VAT on Accrued Creditors	(518 710)	(584 135)
VAT as per VAT 201	(717 305)	(442 262)
Audit Adjustment	(15 769)	(129 112)
	(37 270)	(153 378)

VAT is payable on the payments basis. Once payment is received from debtors VAT is paid over to South African Revenue Services.

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13 Consumer Deposits

Electricity	227 463	226 366
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Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated.

In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer deposits approximate their fair values.

The fair value of Consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

14 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprise:

Integrated National Electrification Grant	1 205 043	73 163
Municipal Infrastructure Grant	5 036 317	6 799 943
Municipal System Improvement Grant	(483 502)	(1 258)
Finance Management Grant	(292 920)	(283 280)
Extended Public Works Programme Grant	(9 420)	(9 420)
Art and Culture Grant	268 511	(18 740)
Total	5 724 028	6 560 408

Movement during the year:

Balance at the beginning of the year	6 560 408	348 236
Additions during the year	67 291 736	52 733 800
Income recognition during the year	(68 128 117)	(46 521 628)
	5 724 028	6 560 408

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

Refer to note 18 for reconciliation of grants from National and Provincial Government.

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15 Current and Non-Current Provision

Non-Current Provision	1 900 877	1 652 937
Provision for landfill Site		
Opening balance	1 652 937	1 437 336
Movements	247 941	215 600
Closing Balance	1 900 877	1 652 937

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

At 30 June 2014 the municipality will incur estimated rehabilitation costs of R 1 900 877 (2013: R 1 652 937) to restore the landfill site at the end of its useful life, estimated to be 7 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The discounted rate of the provision was 15% in 2014.

The landfill provision represents management's best estimate of the Municipality's liability.

The landfill site assessment was conducted by Mams (Pty) Ltd. The landfill site is expected to be fully operational until (date) and it is assumed that the rehabilitation will only take place thereafter. The calculation of the provision amount was recalculated in 2012/2013 financial year using the same report.

The report was concluded on 28 May 2012

Current Provision	-	1 536 000
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15.4 Provision For Law Suits

Opening balance	1 536 000	-
Movements	(1 536 000)	1 536 000
Closing Balance	-	1 536 000
Total Provisions	1 900 877	3 188 937

16 Retirement Benefit Obligation

Total Net Retirement Benefit Obligation	4 578 000	3 835 000
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16.1 Pension benefits

Post retirement pension plan

The municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The findings are extracts from the interim actuarial valuation at 31 March 2012 released 12 October 2012.

Superannuation Fund

The last valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

- The memorandum account in respect of pensioners was 96% funded.
- There was a deficit in respect of active members which is being met by the surcharge of 9.5% of pensionable salaries, this surcharge is payable for 8 years with effect from 1 July 2012.
- The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.
- The statutory actuarial valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:
- The memorandum account in respect of pensioners was fully funded.
- There was a deficit in respect of active members and it is recommended that the surcharge of 7% be increased to 9.5% of pensionable salaries and that the repayment period be set at 8 years at which time the deficit is expected to be fully funded. The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.

Retirement Fund

The interim valuation carried out on the Retirement Fund as at 31 March 2012 reflected:

- The memorandum account in respect of pensioners was fully funded on the discounted cash flow method.
- The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.
- In order to fund the deficit, the surcharge should be increased from 17% to say, 17.5% from 1 July 2012 and the required period be extended from 5 years to 8 years

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2012 revealed that the fund was in a sound financial position.

16.2 Post-employment medical liability

Post retirement medical subsidy

Employee Benefit

Non-Current Liabilities	3 318 000	2 769 000
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Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Discount rate	8.94%	7.89%
CPI (Consumer Price Inflation)	7.05%	6.14%
Medical Aid Contribution inflation	8.05%	7.14%
Net effective discount rate	0.82%	0.70%

Membership data

Current (in-service) members

	Male	Female	Total
Number of active employees	14	28	42
Subsidy weighted average age	40.9	38.5	39.3
Subsidy weighted average past service	9.5	7.2	8
Number of Spouses	6	4	10
Average monthly subsidy payable during the retirement	R 1 440.00	R 1 390.00	R 1 410.00

Continuation members (Pensioners)

Number of continuation members	0	2	2
Subsidy weighted average age	N/A	73.5	73.5
Average monthly subsidy	N/A	R 3 070.00	R 3 070.00

Subsidy Arrangements

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners (that are currently still in service) and their dependants will receive a 60% subsidy.
- All existing continuation members (pensioners) and their dependants will continue to receive a 100% subsidy.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Decrements withdrawal

Age band	Withdrawal rate Males	Withdrawal rate Females
Age 20 - 24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 - 54	1%	1%
Age 60+	0%	0%

16.3 Long Service Awards Liability

Non-Current Liabilities	1 260 000	1 066 000
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A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises of a certain number of additional vacation leave days. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2013 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2013 by ZAQ Consultants and Actuaries.

The future cost for ensuing year is estimated to be R143 000 and the interest cost for the year is estimated to be R81 000.

Membership data

	No. Of Active employees	Salary weighted average age (Yrs)	Weighted average past service (Yrs)
Male	80	41.68	7.74
Female	54	40.50	8.92
Total	134	41.22	8.2

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Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

Formula used to calculate Total long service benefit award	Total Long Service Benefit Awards (% Annual Salary)	Completed Years of Service
(10/250) * Annual Salary	4%	10
(20/250) * Annual Salary	8%	15
(30/250) * Annual Salary	12%	20, 25, 30, 35, 40 and 45

Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Discount rate	7.96%	7.40%
CPI (Consumer Price Inflation)	6.33%	5.66%
Normal Salary increase rate	7.33%	6.66%
Net effective discount rate	0.59%	0.69%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal rate Males	Withdrawal rate Females
Age 20 - 24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 - 54	1%	1%
Age 60+	0%	0%

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	143 000.00	-
Interest cost	81 000.00	-
Expected return on assets	-	-
Actuarial (Gain) / Loss	(30 000.00)	-
	194 000.00	-

17 Housing operating Account

Opening balance	100 348	100 348
Movements	-	-
Closing balance	100 348	100 348

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sales of houses.

Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Part of the funding is included in the Municipality's main bank account.

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18 Property Rates

Property rates received

State Owned Property	4 293	2 915
Residential	1 779 092	1 639 045
State Owned Land	1 385 597	1 325 135
Commercial	1 169 628	1 851 976
Agricultural	823 477	1 134 309

Total

5 162 086 **5 953 379**

Property Rates - Penalties Imposed and Collection Charges

1 521 793 **1 180 460**

Assessment rates are levied on the value of land and improvements. Valuations on land and buildings are performed every four years. The last valuation was done in 2012/2013 with effective date of the new General Valuation Roll being 01 July 2014.

Valuations

State Owned Property	130 496 000	89 253 000
Residential	403 665 000	405 575 000
State Owned Land	120 000	1 300 000
Commercial	108 145 000	273 508 000
Agricultural	478 015 000	372 935 000
Municipal Properties	31 590 000	-
Churches (Place of worship)	27 700 000	-
Vacant land	13 715 000	11 012 000
	1 193 446 000	1 153 583 000

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R15, 000 of the valuation of residential properties are exempt from calculation of rates. In addition the municipality has approved an extra R 45 000 to be exempted from rates on all residential properties. The municipal properties and churches are also exempted from paying rates.

Rates are levied on a monthly basis with the final date for payment being 15th of the following month.

Interest at 18% per annum on all arrear assessment rates and a collection fee of 10% on assessment rate instalments, which are two or more months in arrears.

The new general valuation was implemented as from 01 July 2013.

Rebates are granted to:

Residential property owners	-	-
Commercial property owners	10%	10%
Agricultural property owners	-	-
Other (Vacant land)	10%	10%

19 Government Grants and Subsidies

Equitable share	40 352 000	33 472 000
Integrated National Electrification Grant	7 668 120	-
Extended Public Works Programme Grant	-	1 009 420
Subsidy Community Participation	-	200 000
Development Planning Shared Services Grant	-	386 050
Municipal Infrastructure Grant	16 424 363	9 248 701
Municipal System Improvement Grant	1 372 244	821 554
Finance Management Grant	1 659 641	1 783 280
Art and Culture Grant	651 749	518 552
	68 128 117	47 439 556

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to fund operations.

Balance unspent at beginning of year	-	-
Current year receipts	40 352 000	33 472 000
Conditions met-transferred to revenue	(40 352 000)	(33 472 000)
	-	-

Conditions still to be met - remain liabilities (see note 10).

Integrated National Electrification Grant

Balance unspent at beginning of year	73 163	73 163
Current year receipts	8 800 000	-
Conditions met-transferred to revenue	(7 668 120)	-
	1 205 043	73 163

Conditions still to be met - remain liabilities (see note 10).

The project for electrification of Lunenburg is currently under construction. The delay is caused due to the fact that the project is implemented in a area where the municipality doesn't have the electricity license. The municipality depend on Eskom on the license issues.

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Municipal Infrastructure Grant

Balance unspent at beginning of year	6 799 944	586 644
Current year receipts	14 660 736	15 462 000
Conditions met-transferred to revenue	(16 424 363)	(9 248 701)
	5 036 317	6 799 944

Conditions still to be met - remain liabilities (see note 10).

Due to unforeseen circumstances the municipality failed to spend 100% of the Municipal Infrastructure Grant allocation. The biggest problem was the contractors who failed to perform. They didn't meet the targets as per the contract. The Projects are still in-progress and will be completed in 2014/2015 financial year. This has been disclosed on capital commitments

Municipal Systems Improvement Grant

These funds are to be used for the updating of the Municipality's financial policies, financial management system and fixed asset register to comply with the new GRAP Standards.

Balance unspent at beginning of year	(1 258)	20 296
Current year receipts	890 000	800 000
Conditions met-transferred to revenue	(1 372 244)	(821 554)
	(483 502)	(1 258)

Conditions still to be met - remain liabilities (see note 10).

The municipality has overspent on the Municipal System Improvement grant.

Finance Management Grant

Balance unspent at beginning of year	(283 280)	-
Current year receipts	1 650 000	1 500 000
Conditions met-transferred to revenue	(1 659 641)	(1 783 280)
	(292 920)	(283 280)

Conditions still to be met - remain liabilities (see note 10).

The municipality has overspent on the Municipal Finance Management grant.

Art and Culture Grant

Balance unspent at beginning of year	(18 740)	12
Current year receipts	939 000	499 800
Conditions met-transferred to revenue	(651 749)	(518 552)
	268 511	(18 740)

Conditions still to be met - remain liabilities (see note 10).

Arts and Culture grant is used by libraries for the operations. The library services failed to implement their plans 100% which lead to the unspent grant.

Extended Public Works Programme Grant

Balance unspent at beginning of year	(9 420)	-
Current year receipts	-	1 000 000
Conditions met-transferred to revenue	-	(1 009 420)
	(9 420)	(9 420)

Conditions still to be met - remain liabilities (see note 10).

Condition was met in 2012/2013. There was no allocation in 2013/2014 for EPWP.

20 Provision for Bad Debts Adjustment

Provision for Bad Debts Adjustment	5 554 235	(2 137 483)
------------------------------------	------------------	--------------------

Reconciliation of Provision for Bad Debts

Trade debtors

Provision for Bad Debts Adjustment calculation

Balance at beginning of the year	51 093 952	53 231 435
Movements	5 554 235	(2 137 483)
Balance at the end of the year	56 648 187	51 093 952

This adjustment is due to align the previous years provision for bad debts with the one for current year under review

21 Fines

21.1

Library Fines	-	-
Traffic Fines	1 515 956	401 693
Meter tampering Fines	86 990	55 048
	1 602 946	456 740

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21.2 Fines	264 198	456 740
Traffic fines not paid	1 251 758	328 811
	1 515 956	785 551
22 Interest Received		
Bank	72 812	37 605
Investments	121 639	190 557
Other	-	-
	194 450	228 066
Split sources of interest received for current AND prior year		
23 Other Income		
Insurance claim	48 792	-
Certificate rates clearance	8 667	8 952
Tender document fees	114 300	57 000
Bonuses wood sales	-	1 988 206
Miscellaneous	-	202 016
Insurance	-	81 862
Fees hall hire-ppb	59 502	30 951
LGSETA subsidy	-	135 934
Skill centre hire fees	-	1 900
Fees hall hire Dumbe	200	9 050
Burial fees	10 991	17 260
Fees hall hire-ppb	-	(10 953)
Fees hall hire Dumbe	-	(6 250)
Building plan fees	11 756	26 480
Temporary licences	-	20 430
Meter box sales	-	55 390
Connection fees	22 211	61 312
School crossing	-	5 580
Sport tournaments	-	42
TLB and graders	27 712	-
Mayoral marathon	416	-
Other income	973 938	-
Building and structural fees	3 500	-
	1 281 986	2 685 161
The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
24 Service Charges		
Sale of electricity	10 315 449	29 396 510
Refuse removal	4 273 595	5 742 768
	14 589 044	35 139 278
The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to tariffs approved by Council of eDumbe Local Municipality.		
25 Audit Fees		
External Audit - 2014	1 340 088	1 237 548
	1 340 088	1 237 548
26 Bulk Purchases		
Electricity	13 621 753	14 048 278
Bulk purchases are in respect of electricity bill paid to ESKOM.		
27 Contracted Service		
Contracted services are in respect of:		
Internal Audit	284 124	935 788
Photocopies	-	-
Security	1 549 980	2 638 448
Lease of Vehicles	-	-
	1 834 104	3 574 236

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28 Employee Related Costs		
Employee related cost salaries and wages	19 708 907	17 878 179
Bonus	1 770 627	1 174 880
Employee related costs-Contributors for PAYE, UIF, Pensions and Medical aids	3 961 047	3 379 501
Post-employment benefits - Pension - Defined contribution plan	-	-
Travel, motor car, accommodation, subsistence and other allowances	2 072 484	1 731 440
Overtime payments	475 790	341 786
	27 988 855	24 505 786
Remuneration of Municipal Manager		
Annual Remuneration	544 884	510 000
Housing Allowance	132 482	124 000
Travel, motor car and other allowance	192 312	180 000
Contributions to UIF, Medical and Pension Funds	38 462	45 733
Annual Performance Bonus	108 977	-
Total	1 017 117	859 733
Remuneration of Chief Financial Officer		
Annual Remuneration	502 696	450 005
Housing Allowance	129 676	167 267
Travel, motor car and other allowance	106 539	132 727
Contributions to UIF, Medical and Pension Funds	98 913	8 893
Annual Performance Bonus	102 000	-
Total	939 825	758 893
Remuneration Director Technical Services		
Annual Remuneration	384 624	300 000
Housing Allowance	51 283	40 000
Travel, motor car and other allowance	157 529	122 870
Contributions to UIF, Medical and Pension Funds	47 604	43 274
Annual Performance Bonus	-	-
Total	641 040	506 144
Remuneration Director Corporate Services		
Annual Remuneration	417 259	390 545
Housing Allowance	55 945	52 364
Travel motor car and other allowance	139 863	130 909
Contributions to UIF, Medical and Pension Funds	27 973	33 513
Annual Performance Bonus	51 283	-
Total	692 323	607 331
Remuneration Director Community Services		
Annual Remuneration	384 629	360 004
Housing Allowance	69 932	65 455
Travel, motor car and other allowance	186 480	174 541
Contributions to UIF, Medical and Pension Funds	-	7 364
Annual Performance Bonus	51 283	-
Total	692 323	607 364
Remuneration Director Planning & Development		
Annual Remuneration	352 572	360 000
Housing Allowance	70 514	66 000
Travel, motor car and other allowance	185 902	174 000
Contributions to UIF, Medical and Pension Funds	-	7 305
Annual Performance Bonus	51 283	-
Total	660 271	607 305
29 Finance Costs		
Finance Leases		
Bank Charges	41 435	83 784
Late payment of tax	-	-
Other interest paid	211 684	276 074
Loan	307 000	-
	560 119	359 858

Split finance cost and write on the nature thereof

The total finance cost is calculated using the effective interest rate, on Financial Instruments not held at fair value through surplus or deficit .

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30 General Expenses		
Advertising	189 123	249 022
Audit Committee	178 222	158 272
Aids Awareness	90 485	-
Bursary	-	181 100
Cleaning materials	59 457	24 300
Communication and Publicity	474 507	297 523
Community Development	670 203	-
Computer Software	63 881	209 496
Consultants Fees	1 176 451	1 710 898
Employee benefit	395 000	-
Fuel and Oil	794 999	850 547
Social Cohesion	302 108	-
Indigent Burial	105 150	68 190
Insurance	564 983	614 899
Land fil site provision expense	247 941	-
Land Zoning	204 124	364 800
Leave Payout	334 728	546 000
Local economy development	323 349	352 346
Legal Services	1 055 675	960 151
Mayoral Games	-	273 594
Mayoral Special Projects	191 011	375 524
Membership Fees	634 634	-
Operating lease (Expense portion of the lease)	926 048	313 089
Other expenses	405 228	1 583 093
Park Home (Mkhukhuze)	375 770	-
Promotions	200	56 480
Postage and courier	-	8 548
Poverty Alleviation Projects	571 958	-
Provision: Uniform /Protective Clothing	309 939	178 414
Refreshments	249 763	82 576
Regravelling of Rural Roads Projects	106 773	-
Rentals (Expense portion)	-	1 031 285
Road Transport Quality System	147 394	-
Shared Services ZDM - Planning and Development	448 083	-
Sports Tournaments	1 281 460	686 759
Stationery	238 905	209 531
Stores and materials	172 519	248 881
Settlement contingencies	138 784	1 536 000
Team Building	318 532	157 807
Telephone	441 530	509 467
Training	89 361	161 098
Travelling and subsistence	1 185 725	1 103 449
Vodacom Cell phones	684 590	491 222
Tourism projects	201 943	241 199
Valuation roll	-	1 894 530
VAT recon	-	2 333 292
Ward Committee Expense	170 000	-
Water	11 009	36 847
	16 531 547	20 100 228
31 Operational Grants expenses		
Finance Management Grant	1 236 386	1 681 629
Municipal System Improvement Grant	-	741 723
EPWP expense	154 639	996 034
MIG expense	219 348	54 616
Community Participation Subsidy	(0)	199 500
Tourism-ZDM Publ expendi	645 702	50 000
Arts & culture expenditure	1 525 353	518 552
	3 781 429	4 242 054
32 Operating Lease		
32.1 At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:		
32.1 At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows		
Within one year	2 266 534	2 051 562
In the second to fifth year inclusive	312 128	312 128
After five years	-	-
Total	2 578 662	2 363 690

Operating lease payments represent rentals payable by the municipality for certain photocopying machine and as well as for motor vehicles and telephonic system . Leases are negotiated for an average term of three years.

During the current year, the municipality added two vehicles on rentals in March 2014. It is also noted that the rental amount on a monthly bases changed during year it was not fixed for the whole of the financial year.

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32.2 Operating leases – as lessor

Minimum lease payments due

Within one year	1 146 897	1 147 047
In second to fifth year inclusive	4 587 588	4 588 188
After five years	16 056 558	17 205 705
Total	21 791 043	22 940 940

Operating Leases consists of the following:

Certain of the municipality's property is leased to Mondi is held to generate rental income. Rental of property is expected to generate rental yields of R1 146 897 on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years.

33 Remuneration of Councillors

Mayor	698 694	537 372
Deputy Mayor	319 112	283 657
Executive Committee Members	300 471	266 670
Speaker	551 837	433 204
Councillors	2 580 884	2 198 572
	4 450 998	3 719 477

The Mayor is full time and is provided with an office and secretarial support at the cost of the Council. The Mayor and Deputy Mayor has use of a Council owned vehicle for official duties. Both the Mayor and Deputy Mayor has one full time bodyguard and a full time driver. The speaker of the Council is full time and is also provided with an office and secretarial support.

The municipality has provided the office of the MPAC chairperson.

34 Cash generated from / (utilised in) operating activities

Surplus / (deficit)	6 538 714	12 964 423
Adjustments for:		
Non cash items		
Depreciation	7 427 736	7 119 791
Provision for debt impairment	5 554 234	(2 137 483)
Loss on sale of assets	491 488	-
Impairment of assets	19 150	2 630 195
Loss on Actuarial benefit	81 121	-
Interest on investment	(194 450)	(228 066)
Finance costs	560 119	359 858
Working Capital Movements		
(Increase)/ Decrease in Inventories	(23 689)	(34 631)
Change in accounting policy or prior year error	-	(126 393)
(Increase)/ Decrease in Receivables from exchange transactions	(553 344)	4 270 299
(Increase)/ Decrease in Receivables from non-exchange transactions	(3 623 447)	(4 251 732)
(Increase)/ Decrease in Consumer debtors	1 097	2 548
(Increase)/ Decrease in VAT receivable	116 108	(153 378)
Increase/ (Decrease) in Retention	184 479	55 424
Increase/ (Decrease) in Provisions	(1 536 000)	1 837 168
Increase/ (Decrease) in Payables from exchange transactions	5 604 923	(7 636 079)
Increase/ (Decrease) in Unspent conditional grants and receipts	(836 380)	6 212 172
Increase/ (Decrease) in Current Portion of Long-Term Liabilities	248 565	641 756
	20 060 423	21 525 872

35 Change in accounting policy and correction of an error

The following adjustments were made to amounts previously reported in the Annual Financial Statements arising from the implementation of new accounting policies, a change in existing policies and correction of prior period errors.

35.1 Change in accounting policy

35.2 Correction of prior period errors

35.2.1

During the year, the municipality prepared its Fixed Assets Register in compliance with GRAP. Pursuant to that exercise, the municipality identified certain assets that were not in the Asset Register. Backlog depreciation was then calculated on those newly identified assets.

<i>Effects on the face of the Statement of Financial Position</i>	Previously stated	Currently stated	Adjustment
Accumulated Surplus	188 845 838	188 698 722	(147 116)
Balance previously reported 2013			
Restated Accumulated Surplus			

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Retirement Benefit Obligation	7 783 653	3 835 000	(3 948 653)
Balance previously reported 2013			7 783 653
Reversal of amount previously reported			(7 783 653)
Post retirement medical subsidy			2 769 000
Long Service Awards Liability			1 066 000
Restated Retirement benefit 2013			3 835 000

The valuation has been conducted by ZAQ Consultants and Actuaries as at 30 June 2014. The consultants also did previous year for comparison purposes. The opening balance has been adjusted.

Effects on the face of the Statement of Change in Net Asstes

FAR closing balance corrections	16 294
VAT year-end journals corrections	(39 840)
Provision for Traffic fines write off	(64 613)
Investment account correction	117 010
Petty cash account correction	1 181
Correction of the duplicate for the staff consumer account deductions	17 565
Provision for Audit fees	0.48
Billing suspense correction	53 355
	100 951

The above journals were processed direct to the accumulated surplus to correc the individual accounts

	Previously stated	Currently stated	Adjustment
Property plant and equipment	193 788 389	192 811 800	(976 589)

Effects on the face of the Notes to the Annul Financial Statements

Vehicles cost	1 612 143
Adjusted cost	157 979
Restated cost	1 770 121
Accumulated depreciation	(551 003)
Adjusted accumulated depreciation	(47 475)
	(598 478)
Movement on addition	-
Movement on depreciation and impairment	(222 929)
Restated Carrying amount	948 715
Other Assets	3 892 690
Adjusted cost	274 155
Restated cost	4 166 845
Accumulated depreciation	(1 684 937)
Adjusted accumulated depreciation	(30 057)
	(1 714 994)
Movement on addition	4 292 278
Movement on depreciation and impairment	(1 796 977)
Restated Carrying amount	4 947 152

36 Capital Commitment

Commitments in respect of capital expenditure		
'-approved and contracted for	22 690 047	13 491 153
'-approved but not yet contracted for	7 650 000	8 501 000
	30 340 047	21 992 153
This expenditure will be financed from		
'-external sources	30 340 047	21 992 153
	30 340 047	21 992 153

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37 Unauthorised expenditure		
Opening balance	76 930 679	64 666 012
Add: Unauthorised Expenditure - current year	5 982 968	12 264 667
Employee costs		
General expense include depreciation and bad debt provision	5 982 968	12 264 667
Condoned or written off by Council		
Transfer to receivables for recovery-not condoned		
Unauthorised expenditure awaiting authorisation	82 913 647	76 930 679

The unauthorised expenditure relates to expenditure incurred that exceeded the budget. This was due to non cash items as well as settlement and court order, It was investigated and taken to Council and due to the nature of the expenditure the council condoned the unauthorised expenditure.

38 Irregular expenditure		
SCM Deviations		
Opening balance	5 301 465	45 531 578
Add: Irregular Expenditure - current year	16 407 663	5 301 465
Irregular expenditure for the year	16 407 663	5 301 465
Condoned or written off by Council	(14 436 787)	(45 531 578)
Transfer to receivables for recovery-not condoned	-	-
Irregular expenditure awaiting condonement	7 272 341	5 301 465
 Incident-Awards of tenders to people in service of the state.	 874 496	 874 496
Irregular expenditure - Non compliance with	1 970 876	-
Supply Chain Management Regulations	4 426 969	4 426 969
	7 272 341	5 301 465

Irregular expenditure incurred for the current year relates to the amounts paid to consultant fees and Security company which were appointed during the previous years, 2010/2011 and 2012/2013 irrespectively. The appointments were done without complying with SCM regulations/ processes.

39 Fruitless and wasteful expenditure		
Opening balance	641 614	338 353
Add:Fruitless and wasteful expenditure - current year	385 106	303 261
Condoned or written off by Council	-	-
Transfer to receivables for recovery-not condoned	(1 026 720)	-
Fruitless and wasteful expenditure awaiting condonement	0	641 614

(Current year expenditure were incurred due to the late payments to SARS and Eskom)

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40 Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviations from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by the Council. The expenses incurred as listed hereunder have been condoned.

TSS Engineering	134 440	588 240
Roga Motors	783 743	279 998
Vryheid Petroleum	-	266 275
University of Pretoria	-	317 250
Accommodation & other	759 269	893 332
SYCO Machinery	-	5 911
MIG Projects Expenditure	5 819 839	822 789
RB Project Management	-	499 436
Nankhoo and Associates	428 396	491 400
Ihlathi Transport	-	874 496
ARB Electrical	-	72 142
Siyabonga Africa	-	66 000
Imalini Trading	-	39 900
AON Insurance	-	51 692
Shisalanga	-	32 604
SABC	90 356	-
Mafunisa Consulting	563 500	-
PMB TV Video Repairs Centre	160 000	-
BTMN Engineering Consultants	7 668 120	-
Total amount considered	16 407 663	5 301 465
Total amount condoned	-	-
Deviations awaiting authorisation	16 407 663	5 301 465

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the Annual Financial Statements.

The following items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1) (a) to (d) as stated above.

TSS Engineering	134 440	588 240
It was an emergency due to a break down of electrical transformer		
Roga Motors	783 743	279 998
The municipality engaged with the garage to provide the petrol as and when required. Only garage agreed to help the municipality with Petrol.		
Vryheid Petroleum	-	266 275
The municipality was utilising the petrol services from Vrypet for the past few years without following the proper supply chain management policy and the deviation has been filled for the transaction incurred for the year under review for the supply of petrol and diesel to eDumbe Municipality.		
University of Pretoria	-	317 250
The municipality advertised for the provision of minimum competency training but no training provider responded. The municipality then engaged University of Pretoria to provide the training		
Accommodation and other	759 269	893 332
The municipality could not be able to obtain 3 quotation on the accommodation expenses due to the venues (location) of the meetings attended by the municipal delegats as well as the condition of the hotels. The municipality also couldn't able to obtain three quotation for the advertisement on local nwspeppers. The municipality is using Vryheid Herald and Isolezwe for advertising. The other expenses are minor breaches where three quotations were not obtained.		
MIG Projects Expenditure	5 819 839	822 789
The appointed contractors for some of the projects from 2011/2012, 2012/2013 and 2013/2014 failed to complete the projects they were tasked to do and the municipality had to ensure that the service delivery is not affected by their failure. Due to time constrains and unspent grant issues the municipality used SCM regulation 36 to deviate from normal SCM processes of advertising to get the new companies to finish of the projects.		
RB Project Management	-	499 436
Impractical and impossible to follow scm processes due to time frame		
Nankhoo and Associates	428 396	491 400
Suppotring documents for appointment of the consultant was not located. Only the appointment letter was located and the proof of whether the process was followed or not could not be provided the it was therefore agreed to disclose as irregular.		
AON Insurance	-	51 692
Impractical and impossible to follow scm processes or to obtain at least 3 qoutations because the municipality was adding the items on the existing insurance policy.		
Shisalanga	-	32 604

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It was an emergency due to a break down of electricity. Electrical material were needed urgently to fix electricity		
Imalini Trading	-	39 900
Impractical and impossible to follow scm processes or to obtain at least 3 quotations		
SYCO Machinery	-	5 911
Impractical and impossible to follow scm processes or to obtain at least 3 quotations		
Siyabonga Africa	-	66 000
Impractical and impossible to follow scm processes or to obtain at least 3 quotations due to time frame		
Ihlathi Transport	-	874 496
One of its director is in service of the state		
ARB Electrical	-	72 142
They were the only service provider responded to the quotation.		
SABC	90 356	-
Sole service provider used by the municiplaity to communicate with community. Ukhozi FM was then used.		
Mafunisa Consulting	563 500	-
The municipality had to act swiftly due to the circular sent by National Treasury for the minimum competency levels for managers. There was no time to follow all procurement process due to the exemption period granted to eDumbe Municipality.		
BTMN Engineering Consultants	7 668 120	-
The municipality had a backlog on the electrification and Council decided to engage the consultants on a risk bases to assist the municipality to seek funding for the electrification projects. Three consultants companies were appointed and BTMN Engineering was lucky to get the funding for the municipality. The BTMN Engineering were then become the implementing agents of the projects identified by Council. It was then impractical for the municipality to start afresh the SCM processes.		
PMB TV Video Repairs Centre	160 000	-
Due to emergency for buglary in municipal bulding, the municipality had to enforce the security controls.		
41 Distribution losses		
Electricity		
Number of consumers (Residential & Commercial)	2 921	3 139
Units purchased. (kwh)	18 316 251	17 853 954
Units sold (Total)	8 889 101	16 028 365
	9 427 150	-
Units own use (Municipal billing)	2 584 544	-
Units lost in Distribution	6 842 605	1 825 589
% Lost in distribution	37.36%	10.23%
Total Costs (Expenses)	9 866 782	8 529 030
Cost per unit purchased	0.53	0.47
Total cost lost through distribution	3 642 335	848 934
42 Related parties		
RELATED PARTY BALANCES		
Councillor RC Gevers & IAT Mbatha has a financial interest in which they owe eDumbe Municipality		
Trade Receivables	10 694	6 846
Amounts included in trade receivables regarding related parties relate to amount owed by Clir RC Gevers and IAT Mbatha.		
Trade Payables	448 083	-
Amount included on General expenses relates to the related party for ZDM Shared Service for Planning departments		
RELATED PARTY TRANSACTIONS		
Remuneration of Councillors and Key management		
Details of remuneration of Councillors and key management are disclosed in note 27 and in note 33. No benefits were paid to spouses and dependents of key management or Councillors.		
1. Transactions	10 694	6 846
Services charges from related parties amount owed by Clir RC Gevers and IAT Mbatha		
2. Transactions	3 180	22 464

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Cllr Ronnie Gevers has a company and the municipality has traded with his company during 2013/2014 financial year. The name of the company is Forest Pro.		
3. Transactions	448 083	-
The municipality is sharing the resources with other municipalities within the Zululand District Municipality for the planning department. The Shared services involves all five local municipalities within Zululand District Municipality.		
43 Contingent liabilities		
Claim for damage - Cox and Partner	3 400 000	
The Municipality is being sued by Cox and Partner for collection of debtors. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of R 900 000. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 2 500 000.		
Claim for damages - AMT Putini	3 650 000	
The Municipality is being sued by AMT Putini for termination of contract. Council is contesting the claim based on legal advice. A court date has not yet been set for the appeal. The matter has been finalised, however, Putini has lodge an application to revive this unfair suspension. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 3 500 000. The contingent liability includes legal costs of R 150 000.		
Guarantee with Eskom	530 000	
The Municipality has call account amounting R530 000 has been invested with First National Bank as guarantee for Eskom licence		
Mthembu and Sons	3 150 000	
The municipality is being sued by Mthembu & Sons who claimed that they have done the job for the municipality which amounts to R 3 000 000 for gravelling of Rural roads. Mthembu and Sons was appointed by former Speaker of the Council, Councillor Mncube and supply chain management procedures were not followed. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 3 000 000. The contingent liability includes legal costs of R 150 000. The court date has not been set.		
Mthembu and Sons	3 119 236	
The municipality is being sued by Mthembu & Sons for the service they rendered to the municipality was given a contract for gravelling road that totals to R2 969 236.02 but they have not performed the work. Mthembu & Sons want to be paid R2 969 236.02 because he has the contract with Municipality. Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 2 969 236.02. The contingent liability includes legal costs of R 150 000. The court date has not been set.		
MSN Investment	73 000	
The municipality is being sued by MSN Investment who claimed that he was appointed by the then Acting Municipal Manager verbally to continue working for eDumbe Local Municipality for the finalisation of the Annual Financial Statements. MSN Investment is claiming R73 000 for the work performed.		
HLATHI TRANSPORT CC	2 000 000	
The municipality is being sued by Ihlathi Transport CC for the service rendered to the municipality. Ihlathi Transport is demanding outstanding payment of R1, 9 million from the municipality for services rendered. Ihlathi Transport CC has not issued summons but the matter has been referred to the court. The contingent liability includes legal costs of R 100 000.		

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Wage Collective agreement 2010

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The possibility of contingencies arising from pending litigation on wage curve agreement. On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation; Therefore it is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation

44 Going concern

During the current year the municipality could not pay off the instalments for the loan due to DBSA, Debtor collection rate was very low and conditional grants could not be backed up by cash in the bank. The liquidity ratio for the municipality is below one which means the municipality is not able to pay its creditors as they fall due, however, because at year end, the municipality is in a net asset position, the municipality is deemed to be a going concern. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. This is further mitigated by the fact that National Treasury will still be funding municipality activities, with no evidence of intention to withdraw financial support.

45 Risk management

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating interest rate risk.

47.1 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Cash and Cash Equivalents	1 464 739	2 385 903
Trade and Other Receivables transactions	9 751 964	9 501 908
Other		
Maximum credit exposure	11 216 703	11 887 811

47.2 Liquidity Risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities. Unspent Grants are cashed back. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

Payables and other payables	13 591 210	6 299 975
Other		
Maximum liquidity exposure	13 591 210	6 299 975

47.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	1 464 739	2 385 903
Maximum interest exposure	1 464 739	2 385 903

46 Budget versus Actual Statement

The comparison of the Municipality's actual financial performance with that budgeted is set out in the face with reason for variances

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Figures in Rands	2014	Restated 2013
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47 In-kind Donations and Assistance

The Municipality received the following in-kind donations and assistance

Public contributions and donations

Public contributions - Conditional	-	92 893
Public contributions - Unconditional	-	-
Donations	-	33 500
Total public contributions and donations	-	126 393

49 Additional Disclosures in terms Of Municipal Finance Management Act

49.1 Contributions to organised local government

Opening balance	167 032	167 032
Council subscriptions	450 000	-
Amount paid - current	-	-
Amount paid - previous years	-	-
Balance unpaid (included in payables)	617 032	167 032

The amount is included on the accruals raised for 2013/2014 financial year for the membership to SALGA for the municipality.

49.2 Audit fees

Opening balance	11 725	-
Current year audit fee	1 340 088	1 237 548
Amount paid - current year	(1 294 999)	(1 225 823)
Amount paid - previous years	(11 725)	-
Balance unpaid (included in payables)	45 089	11 725

The municipality paid the previous year balance as well as the current year invoices in full during the year

49.3 VAT

VAT input receivables and VAT output payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year via efilling. Due date for efilling is the last day of the month

49.4 PAYE and UIF

Opening balance	349 310	-
Current year payroll deductions	4 911 211	4 003 703
Amount paid - current year	(3 734 518)	(3 654 393)
Amount paid - previous years	(349 310)	-
Balance unpaid (included in payables)	1 176 693	349 310

The balance represents PAYE, SDL and UIF deducted from the April 2014, May 2014 and June 2014 payroll. These amounts were paid during July 2014. The amount for R349 310 was not paid for June 2013 and it was part of the accrual raised in 2012/2013.

49.5 Pension and Medical Aid Deductions

Opening balance	612 878	-
Current year payroll deductions and Council Contributions	5 953 417	5 197 779
Amount paid - current year	(5 130 531)	(4 584 900)
Amount paid - previous years	(458 668)	-
Balance unpaid (included in payables)	977 097	612 878

The unpaid balance represents pension and medical aid contributions deducted from employees in the May 2014 and June 2014 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2014. From 2012/2013 there is an amount which remains as unpaid for R154 211. This amount will be investigated by the municipality and be paid or written back to the vote depending on the outcome.

49.6 Councillor's arrear consumer accounts

ClIr RC Gevers and ClIr IAT Mbatha had arrear accounts outstanding for more than 90 days at 30 June 2013. The ageing for ClIr Gevers shows an amount of R 1 487.85 outstanding for more than 90 days while the account for ClIr IAT Mbatha shows an amount of R 5 629.00 outstanding for more than 90 days.

49.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No non-compliant with MFMA the municipality is aware off

49 Events after the reporting date

No events after the reporting date were identified by management that would affect the operations of the entity or the results of those operations significantly.